INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **Shree Cement:** We maintain our REDUCE rating on Shree Cement (SRCM), with an unchanged SOTP target price of INR 22,600/share. In Q3FY23, Shree reported strong 23% volume growth (low base effect). However, unitary EBITDA came in 30% lower YoY to INR 881/MT, owing to subdued pricing while fuel prices remained elevated (despite a 10% fall QoQ). Thus, EBITDA/APAT fell 14/44% Unitary EBITDA recovered INR 180/MT QoQ in Q3 and is expected to recover further in Q4, driven by falling fuel prices and op-lev gains. SRCM would be expanding its capacity to 55/80mn MT by FY25/2030E (vs 46mn MT in FY22).
- **Ambuja Cement:** We upgrade our rating on Ambuja Cements to ADD, owing to the recent correction in stock price, with a revised TP INR 430/share. During Q4CY22, ACEM reported healthy volume growth (+7/9% YoY/QoQ) and margin normalisation to INR 812/MT (+376/MT QoQ), driven by rationalization of fixed and freight costs items which had ballooned in Sep-22 quarter. It also hinted its organic expansions in the east (7mn MT) should be completed by FY25E-end. The company remains committed to doubling its consolidated capacity over the next five years and will also be working on various cost-reduction exercises to boost margins.
- **Hero Motocorp:** Hero MotoCorp's (HMC) Q3 PAT, at INR 7.1bn, was in line with our estimate of INR 7bn. EBITDA margin remained stable QoQ, on expected lines, as benefits from softening input costs were offset by weak volumes in Q2 (down 13% QoQ). Management is hopeful of a rural revival in the coming quarters on the back of the positive rural sentiment and hence expects the 2W industry to post double-digit revenue growth in FY24. HMC would target to outperform industry growth and recover back lost market share, especially in the 125cc and above motorcycle segment as also in scooters, on the back of a healthy launch pipeline—it aims to launch one new model each quarter from here on. Its recent launch, Xoom, in the 110cc segment, comes loaded with many segment-first features and is in line with the same strategy highlighted above. However, given a lower-than-expected demand in Q3 and sustained weakness in Q4, we lower our earnings estimates by 1-6% over FY23-25E. At 14.7x FY24 PER, the valuation is attractive. We maintain BUY with a revised TP of INR 2,959 (from INR 3,086)—valued at 15x September 2024 earnings.
- **Trent:** Trent continued its stellar topline growth. Standalone revenue grew 36% CAGR (three-year) to INR21.7bn. We suspect while Westside's growth remains handsome (HSIE: 3-yr CAGR 15%), Zudio's blitz scaling continues to be the big needle-mover. The F&G format Star is finding its bearings too and improving its value proposition/sales density. However, with aggressive expansion comes costs. Hence, profitability disappointed. PBTM came in at 9.6% (HSIE: 12%) due to front-loading of Zudio-related costs. We've largely kept our FY24/25 EBITDA estimates steady and maintained SELL, with a SOTP-based TP of INR1,040/sh.
- **Phoenix Mills:** Phoenix Mills (PHNX) reported weak revenue/EBITDA/APAT at INR 6.8/3.8/1.7bn, a miss at all levels. Retail consumption was robust during the quarter at INR 26.5bn (+28% overall and +14% on a like-to-like basis from Q3FY20), aided by growth in Jewellery, Fashion, Electronics and Entertainment categories. YTD Jan'23, consumption

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stands at INR 78bn and it is expected to cross INR 90bn, supported by growth in consumption across categories and malls and contribution from the upcoming mall in Ahmedabad which is expected to open by Feb'23 end. PHNX forayed into warehousing with INR 532mn of investment on a land parcel in NCR. New drivers are set to be in place with (1) Surat mall land (1msf of GLA) acquisition (PHNX holding at 53.7% stake); (2) business development target of 1-2 land deal every year with INR 10bn expected investment; (3) office development gaining traction in Bengaluru/Pune/Chennai; and (4) PHNX expanding residential segment with Alipore residential project in Kolkata (a total outlay of INR 10bn, GDV INR 20bn and 1msf of saleable area). The two upcoming office spaces in Bengaluru and Pune will begin leasing in H1FY24 and FY25 resp. Given strong traction in consumption, captive mall expansion, the addition of office space, a strong business development pipeline and lower net debt, we maintain BUY, with an unchanged SOTP of INR 1,800/sh.

- **JK Cement:** We maintain our REDUCE rating on JK Cement (JKCE) with a lower TP of INR 2,485 (11x Mar-25E consolidated EBITDA). We believe its margin will be subdued for the next 2-3 quarters, on account of Panna stabilisation costs and intensifying pressure in white cement. In Q3FY23, JKCE reported healthy consolidated volume growth of 21/11% YoY/QoQ, led by strong traction in grey cement, while white volumes declined. Consolidated unitary EBITDA contracted INR 230/MT QoQ on stabilisation expense in grey, competition pressure in the white segment, and an increase in fuel and freight costs. Fuel cost is expected to cool off by 8% QoQ in Q4. JKCE's 4mn MT central expansion got commissioned in Q3FY23. The company will further add 5.5mn MT of grey cement capacity spread across the north, central and south and 0.66mn MT clinker across the central region (Panna) by FY25E to strengthen its distribution reach.
- **Navin Fluorine International:** We retain our BUY rating on NFIL, with a target price of INR 5,174 on the back of (1) earnings visibility, given long-term contracts; (2) tilt in sales mix towards high-margin high-value business; (3) capacity expansion-led growth; and (4) strong R&D infrastructure. EBITDA/APAT were 32/26% above our estimates, owing to a 13% rise in revenue, and lower-than-expected operating expenses offset by higher-than-expected raw material costs.
- **Relaxo Footwears:** Inflation-led pressure on consumer demand continued for Relaxo. Revenue declined 8.4% YoY to INR6.8bn in Q3 (a three-year CAGR: 4%; HSIE: INR7.3bn). Volume/net realisation growth stood at -9/1% respectively,- a function of (1) higher skew of closed footwear in the mix; (2) soft demand (especially in the Hawaii/PU/EVA segment). Profitability remains sub-optimal vs pre-pandemic levels, courtesy high RM inflation in key inputs and higher SG&A expenses. Price correction of 15-20% should in Q2 has begun to spur some demand. We've cut our estimates by ~5% each for FY24/25 to account for lower profitability. Our DCF-based TP stands at INR700/sh; implying 47x Dec-24E P/E. Maintain SELL.
- **Computer Age Management Services:** CAMS clocked a sequentially flat quarter (-3% vs. estimate); disappointment stemmed from market share loss in MF AAUM (-70bps QoQ) coupled with sustained pricing pressure (higher than most listed AMCs) on the MF business yields. Marginal moderation in employee costs, partly offset by continued tech investments, drove core income/PAT to INR0.91/0.74bn (+1/2% QoQ). Market leadership in the duopoly RTA market, significant entry barriers, and high switching cost position CAMS favourably; however, we are wary of further TER cuts that can potentially derail RTA's medium-term earnings. We trim our FY23/24E/25E estimates by 3/4/8% to factor in MF market share loss, continued outflow in the debt segment, and delayed accruals in non-MF

business. Given the sustained weakness in fundamentals (market share loss, soft operating performance, and sustained pricing pressure) and a modest 9/11% revenue/OP CAGRs over FY22-25E, we downgrade our stance to REDUCE with a lower TP of INR2,120 (28x Sep-24E EV/NOPLAT + Sep-23E cash and investments; our target multiple implies a ~17-44% premium to listed AMCs).

- **Shoppers Stop:** STOP's revenue grew at 4% (three-year CAGR) to ~INR11.3bn (up 19% YoY; HSIE: 10.75bn). While bill cuts/store are normalising, they are yet to catch up to pre-pandemic levels. Growth remains realisation-heavy (3-yr CAGR for ticket sizes stood at ~7%). Store openings remained healthy and momentum is likely to continue. GM was largely flat despite an improving mix towards private labels at 40.9% (HSIE: 41.3%). Pre-IND AS EBITDAM at 9% (in-line). We revise our FY24/45 EBITDA estimates upwards by ~11/9% each to account for (1) higher store additions; (2) a higher private label portfolio; and (3) improved sales density-led profitability. But maintain our SELL rating with a DCF-based TP of INR460/sh (implying 15x Dec-24 EV/EBITDA).
- **Symphony:** Symphony's domestic business (70% of consolidated revenue) delivered a beat on revenue, led by positive channel sentiment. Domestic revenue came in at INR 1,980mn, up 64% YoY and 4% on three-year CAGR. Strong secondary sales in the summer of 2022 cleared the inventory of two failed seasons. Recovery in domestic revenue was also driven by the positive sentiment of channel partners regarding the brand and the upcoming season. Domestic EBIT was up by 97% YoY, margin came at 31% (+500bps YoY). The RoW business (30% of consolidated revenue) was impacted by weak traction in CT, Australia (down >10% in 9M). Weak traction both in Australia and the US is leading to subpar performance. The RoW delivered an EBIT loss of INR 100mn (largely attributed to weak CT performance). The domestic business saw a beat but RoW performance was weak; hence, we maintain our EPS estimates. We value the stock at 35x P/E on Dec'24E EPS and derive a TP of INR 1,150. The company has proposed to buy back at INR 2,000/share for an amount up to INR 2bn (1.43% of paid-up capital). Maintain ADD.
- **Sobha:** Sobha's (SDL) reported revenue/EBITDA/PAT of INR 8.7/0.9/0.3bn (miss)/beat our estimates by 16/(26)/(25)%. It recorded the highest-ever quarterly presales, both in value and volume terms, of 1.48msf, valued at INR 14.2bn (+36%/+22% YoY/QoQ). The realisation inched up on account of a higher contribution from the Gurgaon project. For 9MFY23, presales stood at INR 37.3bn (+35% YoY) and are expected to cross INR 50bn by FY23-end on the back of 11msf of unsold inventory and a robust launch pipeline of 12msf, of which, 1msf will be launched in Q4FY23. The non-Bengaluru region contributed 40% to total sales (vs. 22.4% in Q2FY23). Presales from NCR were strong, contributing 24% to total sales (5% in Q2FY23). Collections were also the highest-ever at INR 14.1bn (+40%/+5% YoY/QoQ) on the back of robust residential cash collection of INR 11.6bn (+38%/+7% YoY/QoQ). This resulted in the consolidated gross/net debt reducing to INR 20/18bn vs. INR 22/19bn as of Dec'22, with net D/E at 0.72x vs. 0.77x as of Dec'22. EBITDA margin was affected by the higher-than-expected cost in the contractual business; SDL expects to see normalisation in EBITDA margin after Q4FY23. We maintain BUY with an unchanged TP of INR 935.
- **V-MART Retail:** V-MART reported 12% growth YoY (2% lower than expected). Organic business (ex-Unlimited acquisition) grew 8% YoY in Q3FY23 (INR6.2bn; 3-year CAGR: 8%; HSIE: INR 6.8bn). Note: Unit economics remains inferior to pre-pandemic times. (footfall density is at 62%), while transaction sizes were up 118% from pre-pandemic levels (up 7% YoY). The profitability miss was starker (13.3% vs HSIE: 18%) and was a function of elevated online spends, which include (1) a one-time integration cost for

Limeroad and (2) related manpower increases. We've cut FY24/25 EBITDA estimates by 13/7% respectively to account for continued investments towards Limeroad. Consequently, our TP is revised downwards to INR2,900/sh (earlier: INR3,150/sh; implying 25x Dec-24 EV/EBITDA). Maintain BUY.

- **J. Kumar Infraprojects:** JKIL reported an in-line quarter, with revenue/EBITDA/APAT at 10.6/1.5/0.7bn, marginally beating our estimates by 1.9/2/2.6%. JKIL FY23 revenue guidance now stands at the higher end of the INR 40-42bn range to INR 42bn, with an EBITDA margin of 14-15%. The order inflow (OI) of INR 16.9bn in 9MFY23 took the order book (OB) to INR 112bn (~3.2x FY22 revenue). JKIL reiterated its OI guidance for FY23 at INR 50bn, of which 33.8% of orders were achieved in 9MFY23. The balance sheet continues to be robust, with gross debt at INR 4.8bn (D/E at 0.20x). With INR 1.1bn of Capex incurred in 9MFY23, JKIL increased FY23 Capex guidance to INR 1.5bn (+INR 0.5bn). The quarter's outperformance on execution, order inflow and balance sheet is largely in line with our annual estimates; we continue with our valuation multiple at 9x. We maintain ADD, with an increased target price of INR 387/sh (9x Dec-24E EPS, rolled over).
- **AGS Transact:** AGS Transact (AGS) reported a lower-than-expected revenue across segments; however, new deal wins improve growth visibility for FY24E. Revenue growth remained flattish QoQ, with an increase in digital services being offset by decline in ATM management, banking automation solutions (BAS) and other automation services. The company had announced two new managed services deal wins for managing 8K ATMs (~30% of current base), revenues from which will flow over the next 12 months with no additional capex. The company expects to maintain a margin of >25%, led by focus on higher-margin fixed-price contracts. We expect a recovery in the payment solution business, led by (1) new deal wins; (2) implementation of CRM machines; (3) growth in cash management due to compliance-related tailwinds; and (4) traction in digital payment business led by digital adoption by OMCs. We cut revenue estimates by ~6.8/7.4% and EPS estimates by -7.8/6.9% for FY24/25E to factor in revenue miss. We maintain BUY on AGS with a target price of INR 105, valuing the stock at 12x Sep-24 EPS.

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INSTITUTIONAL RESEARCH

Shree Cement

Margin recovers QoQ on fuel cost reduction

We maintain our REDUCE rating on Shree Cement (SRCM), with an unchanged SOTP target price of INR 22,600/share. In Q3FY23, Shree reported strong 23% volume growth (low base effect). However, unitary EBITDA came in 30% lower YoY to INR 881/MT, owing to subdued pricing while fuel prices remained elevated (despite a 10% fall QoQ). Thus, EBITDA/APAT fell 14/44% Unitary EBITDA recovered INR 180/MT QoQ in Q3 and is expected to recover further in Q4, driven by falling fuel prices and op-lev gains. SRCM would be expanding its capacity to 55/80mn MT by FY25/2030E (vs 46mn MT in FY22).

- **Q3FY23 performance:** Shree's standalone EBITDA came in line with ours and consensus estimates. Cement volume rose 8% QoQ to 8mn MT (+23% YoY on a low base due to transporters' strike). Utilisation improved to 69% vs 64/61% QoQ/YoY. Shree continues to sell 78-80% in the trade segment. While it reported flat blended NSR QoQ, grey NSR improved by 1% QoQ. Opex reduced 4% QoQ, driven by input costs reduction by ~INR 170/MT (fuel costs down 10% QoQ, green power share increased to 53% vs 47% YoY). Unit EBITDA recovered ~INR 180/MT QoQ to INR 881/MT. Depreciation went up 14% QoQ on account of solar power plants' capitalization.
- **Capex update and outlook**: During 9MFY23, SRCM added 84MW of solar power. Another 44MW will be added in Q4. Shree's cement expansions are on track: SGU in WB (3mn MT) expected in Q1FY24, IUs in Rajasthan (3.5mn MT) and Guntur (3mn MT) expected by Q3FY24 and Q2FY25 respectively. It spent INR 22bn in Capex during 9MFY23, and another INR 7bn will be spent in Q4FY23. Shree would spend INR 33-35bn in FY24E. The ongoing expansions will increase capacity to 55mn MT in FY25 and Shree is targeting 80mn MT by 2030. Shree is already using >50% low-cost green power (mainly WHRS). By FY24 end, it will also expand its thermal substitution rate to 15% from 3% in FY22. We maintain our estimates for FY23/24/25. We maintain our REDUCE rating on Shree, with an unchanged SOTP target price of INR 22,600/share, valuing its standalone cement business at 16.5x Mar-25E EBITDA and the UAE business at 1x BV.

Quarterly/annual financial summary (standalone)

YE Mar (INR bn)	Q3 FY23	Q3 FY22	YoY (%)	Q2 FY23	QoQ (%)	FY21	FY22	FY23E	FY24E	FY25E
Sales Vol (mn MT)	8.0	6.6	*22.6*	7.5	*7.7*	26.8	27.7	31.3	33.9	36.8
NSR (INR/MT)	5,065	5,132	*(1.3)*	5,071	*(0.1)*	4,720	5,089	5,292	5,278	5,376
EBITDA (INR/MT)	881	1,260	*(30.1)*	701	*25.6*	1,483	1,315	974	1,149	1,174
Net Sales	40.69	33.62	*21.0*	37.81	*7.6*	126.69	141.16	165.89	178.73	197.90
EBITDA	7.08	8.26	*(14.2)*	5.23	*35.4*	39.80	36.48	30.54	38.91	43.22
APAT	2.77	4.92	*(43.7)*	1.90	*46.0*	23.12	23.77	14.17	19.11	18.57
AEPS (INR)	76.7	136.4	*(43.7)*	52.5	*46.0*	640.8	658.7	392.4	529.2	514.3
EV/EBITDA (x)						23.1	25.1	26.9	21.2	19.1
EV/MT (INR bn)						21.2	19.8	16.6	15.6	14.8
P/E (x)						42.5	41.3	61.9	45.9	47.2
RoE (%)						*16.4*	14.6	7.9	*10.0*	*9.0*

Source: Company, HSIE Research

REDUCE

CMP ***(as on 08 Feb 2023))***	**INR 24,300**
Target Price	**INR 22,600**
NIFTY	**17,872**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 22,600	INR 22,600
EBITDA revision %	FY23E -	FY24E -

KEY STOCK DATA	
Bloomberg code	SRCM IN
No. of Shares (mn)	36
MCap (INR bn) / ($ mn)	877/10,623
6m avg traded value (INR mn)	1,547
52 Week high / low	INR 26,340/17,865

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	3.8	14.6	(1.9)
Relative (%)	4.7	11.6	(6.8)

SHAREHOLDING PATTERN (%)	**Sep-22**	**Dec-22**
Promoters	62.55	62.55
FIs & Local MFs	11.12	11.96
FPIs	12.37	12.50
Public & Others	13.96	12.99
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Ambuja Cement

Margin normalises; Capex outlook maintained

We upgrade our rating on Ambuja Cements to ADD, owing to the recent correction in stock price, with a revised TP INR 430/share. During Q4CY22, ACEM reported healthy volume growth (+7/9% YoY/QoQ) and margin normalisation to INR 812/MT (+376/MT QoQ), driven by rationalization of fixed and freight costs items which had ballooned in Sep-22 quarter. It also hinted its organic expansions in the east (7mn MT) should be completed by FY25E-end. The company remains committed to doubling its consolidated capacity over the next five years and will also be working on various cost-reduction exercises to boost margins.

- **Q4CY22 performance:** Sales volume rose 7/9% YoY/QoQ to 7.7mn MT. NSR improved 3% each QoQ/YoY on price recovery mainly in the east. Opex reduced by 5% QoQ, driven by rationalisation of fixed and freight costs items which had ballooned in the Sep-22 quarter. Ambuja reported kiln fuel cost/lead distance reduction by 14/6% QoQ through a cost-optimisation drive. Thus, unit EBITDA recovered ~INR 376/MT QoQ to INR 812/MT.
- **Capex and other updates:** Ambuja recently operationalised 14MW WHRS in Rajasthan. By Mar-23, it will further add 39MW WHRS across its Chhattisgarh and HP Plants. Work on another 28MW WHRS across Gujarat and Maharashtra plants is underway. These will expand total WHRS capacity to 88MW by next year and can meet 25% of its current power requirements. Ambuja reiterated its plan to double group capacity to 140mn MT in the next five years. It also hinted its organic expansions in the east (7mn MT) should be completed by the end of FY25E. We maintain our estimates factoring in major inorganic expansions in FY24/25E. We value the standalone cement business at 15x its Mar-25E EBITDA (lower our multiple from 16x earlier) and the company's 50% holding in ACC at a 30% discount to our target market cap for ACC, leading to SOTP target price of INR 430. Factoring in the sharp fall in stock price recently, we upgrade our rating to ADD.

Standalone quarterly/annual financial summary

YE Dec (INR bn)	Q4 CY22	Q4 CY21	*YoY (%)*	Q3 CY22	*QoQ (%)*	CY20	CY21	FY23E	FY24E	FY25E
Sales (mn MT)	7.72	7.18	*7.4*	7.07	*9.2*	22.67	27.02	36.27	51.86	60.75
NSR (INR/MT)	5,351	5,205	*2.8*	5,203	*2.9*	5,016	5,168	5,422	5,316	5,365
Opex (INR/MT)	4,540	4,412	*2.9*	4,767	*(4.8)*	3,849	3,981	4,568	4,327	4,314
EBITDA(INR/MT)	812	794	*2.2*	436	*86.2*	1,167	1,187	854	990	1,052
Net Sales	41.29	37.40	*10.4*	36.76	*12.3*	113.72	139.65	196.65	275.69	325.97
EBITDA	6.26	5.70	*9.8*	3.08	*103.3*	26.47	32.07	30.97	51.33	63.90
APAT	4.30	3.19	*35.1*	1.56	*175.6*	17.90	21.46	22.47	29.50	29.65
AEPS (INR)	2.2	1.6	*35.1*	0.8	*175.6*	9.0	10.8	9.1	12.0	12.0
EV/EBITDA (x)						23.3	16.1	15.8	14.7	12.4
EV/MT (INR bn)						20.88	16.45	15.65	12.29	11.15
P/E (x)						42.5	35.4	33.9	32.0	31.8
RoE (%)						8.4	10.1	7.0	7.8	6.2

Source: Company, HSIE Research

ADD

CMP *(as on 08 Feb 2023)*	INR 385
Target Price	INR 430
NIFTY	17,872

KEY CHANGES	OLD	NEW
Rating	REDUCE	ADD
Price Target	INR 430	INR 430
EBITDA revision %	FY23E *0.0*	FY24E *0.0*

KEY STOCK DATA	
Bloomberg code	ACEM IN
No. of Shares (mn)	1,986
MCap (INR bn) / ($ mn)	764/9,254
6m avg traded value (INR mn)	6,861
52 Week high / low	INR 598/274

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(32.3)	1.2	2.2
Relative (%)	(31.4)	(1.9)	(2.7)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	63.22	63.22
FIs & Local MFs	16.52	16.99
FPIs	11.05	10.66
Public & Others	9.21	9.12
Pledged Shares	63.15	63.15

Source : BSE

Pledged shares as % of total shares

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Hero Motocorp

All hopes on the much-awaited rural revival

Hero MotoCorp's (HMC) Q3 PAT, at INR 7.1bn, was in line with our estimate of INR 7bn. EBITDA margin remained stable QoQ, on expected lines, as benefits from softening input costs were offset by weak volumes in Q2 (down 13% QoQ). Management is hopeful of a rural revival in the coming quarters on the back of the positive rural sentiment and hence expects the 2W industry to post double-digit revenue growth in FY24. HMC would target to outperform industry growth and recover back lost market share, especially in the 125cc and above motorcycle segment as also in scooters, on the back of a healthy launch pipeline—it aims to launch one new model each quarter from here on. Its recent launch, Xoom, in the 110cc segment, comes loaded with many segment-first features and is in line with the same strategy highlighted above. However, given a lower-than-expected demand in Q3 and sustained weakness in Q4, we lower our earnings estimates by 1-6% over FY23-25E. At 14.7x FY24 PER, the valuation is attractive. We maintain BUY with a revised TP of INR 2,959 (from INR 3,086)—valued at 15x September 2024 earnings.

- **Q3 earnings were in line with our estimate:** HMC Q3 PAT at INR 7.1bn was in line with our estimate of INR 7bn. EBITDA margin remained flat QoQ at 11.5% and was in line with our estimates. Margins remained stable QoQ as the impact of weak volumes was offset by softening input costs. Management has indicated that the benefit from input cost correction in Q3 was 70bps QoQ and the same from Leap savings stood at 80bps. However, other expenses were elevated in Q3 due to (1) costs related to the EV launch (70bps) and (2) festive spending. Adjusted for the impact of EV business, the underlying ICE business margin stood at 12.2%. Other income came in higher at Rs1.8bn vs average of INR 1.25bn in H1 due to the absence of the MTM loss on Gogoro investment and improved yields.
- **Call takeaways:** (1) **Outlook**: Management expects the 2W industry to post double-digit revenue growth for FY24 on the back of an anticipated rural revival, given a healthy farm sentiment and good demand in the ongoing marriage season. (2) HMC aims to launch one new model each quarter from here on in scooters and 125cc and above motorcycles. (3) On the back of its healthy launch pipeline, HMC targets to outperform the 2W industry in FY24. (4) HMC has launched its 2W EV Vida in three cities so far and plans to ramp up pan-India over FY24, post which it would aim to launch other EV platforms including a mass-market product. (5) HMC expects to transition all models to BS-6 phase 2 before April and expects a price hike of about INR500-800 per vehicle due to the same. (6) Share of profit from associates at the consolidated level has been higher due to (a) Hero FinCorp posting INR1.92bn PAT in Q3 vs INR1.31bn PAT YoY (b) the company recognising a one-time gain on an investment in Ather by GIC post the initial round.

Quarterly/annual financial summary

YE Mar (INR mn)	Q3 FY23	Q3 FY22	YoY (%)	Q2 FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	80,310	78,833	1.9	90,754	-11.5	2,92,455	3,37,523	3,74,052	4,23,085
EBITDA	9,241	9,600	-3.7	10,383	-11.0	32,929	38,936	46,757	55,847
APAT	7,111	6,861	3.6	7,161	-0.7	23,972	29,083	35,508	41,970
Diluted EPS (INR)	35.6	34.3	3.6	35.8	-0.7	120.0	145.6	177.8	210.1
P/E (x)						21.8	18.0	14.7	12.4
EV / EBITDA (x)						12.6	10.5	8.7	7.2
RoCE (%)						19.8	22.5	25.9	28.5

Source: Company, HSIE Research

BUY

CMP *(as on 08 Feb 2023)*	INR 2,614
Target Price	INR 2,959
NIFTY	17,872

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 3,086	INR 2,959
EPS %	FY23E	FY24E
	-1.4%	-6.0%

KEY STOCK DATA	
Bloomberg code	HMCL IN
No. of Shares (mn)	200
MCap (INR bn) / ($ mn)	522/6,331
6m avg traded value (INR mn)	1,414
52 Week high / low	INR 2,939/2,147

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(0.2)	(4.5)	(2.1)
Relative (%)	0.6	(7.6)	(7.1)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	34.77	34.77
FIs & Local MFs	26.39	27.22
FPIs	27.78	27.47
Public & Others	11.06	10.54
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Trent

Stellar growth; front-loading of costs weighs on margins

Trent continued its stellar topline growth. Standalone revenue grew 36% CAGR (three-year) to INR21.7bn. We suspect while Westside's growth remains handsome (HSIE: 3-yr CAGR 15%), Zudio's blitz scaling continues to be the big needle-mover. The F&G format Star is finding its bearings too and improving its value proposition/sales density. However, with aggressive expansion comes costs. Hence, profitability disappointed. PBTM came in at 9.6% (HSIE: 12%) due to front-loading of Zudio-related costs. We've largely kept our FY24/25 EBITDA estimates steady and maintained SELL, with a SOTP-based TP of INR1,040/sh.

- **Q3FY23 highlights**: Standalone revenue grew 61.1% YoY (INR 21.71bn vs HSIE: INR 18.6bn). Three-year revenue CAGR stood at 36%. Westside clocked an LFL growth of 17% YoY in Q3FY23. While Westside's growth seems more balanced between SSSG and expansion, the big swing in topline is likely a consequence of Zudio's blitz scaling. In 9MFY23, Westside/Zudio have added 11/93 stores respectively, taking their total store counts to 211/326 respectively. Online sales now contribute 6% of Westside's revenue. Emerging categories contributed 18% of standalone revenue. Standalone GM contracted 586bps YoY to 45.4% as (1) the revenue mix continues to tilt towards Zudio (value fashion) and (2) the high base effect of inventory provisioning reversals in Q3FY22 wanes. EBITDA grew 15% YoY to INR3.35bn (HSIE: INR3.75bn; 3-year CAGR: 25%). PBTM came in at 9.6% (HSIE: 12%) due to front-loading of Zudio-related costs. PAT grew 21% YoY to INR1.61bn (HSIE: INR2.16bn).
- **Outlook**: Trent continues to run in circles around other apparel retailers in terms of growth. Its disciplined working capital management and well-capitalised balance sheet do not allow us to fault the business. However, its heady valuation (60x Dec-24 EV/EBITDA - consolidated) restrains us from becoming constructive on the stock. Hence, we maintain SELL with a SOTP-based TP of INR 1,040/sh.

Quarterly financial summary (standalone)

(INR mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Revenue	21,715	13,478	61.1	18,136	19.7	38,807	73,955	79,112	94,029
EBITDA	3,356	2,917	15.0	2,675	25.4	6,335	11,136	11,890	15,375
APAT	1,610	1,329	21.1	1,859	(13.4)	2,496	4,947	4,206	6,295
EPS (Rs)	4.5	3.7	21.3	5.2	(13.4)	7.0	13.9	11.8	17.7
P/E (x)						167.2	88.8	104.5	69.8
EV/EBITDA (x)						75.3	43.2	40.8	29.8
Core RoCE(%)						5.3	7.5	7.5	9.5

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(INR mn)	FY23E			FY24E			FY25E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	73,955	67,369	*9.8*	79,112	76,279	*3.7*	94,029	91,734	*2.5*
Gross Profit	34,902	33,562	*4.0*	36,941	37,268	*(0.9)*	44,288	44,877	*(1.3)*
Gross Profit Margin (%)	47.2	49.8	***(262 bps)***	46.7	48.9	***(216 bps)***	47.1	48.9	***(182 bps)***
EBITDA	11,136	10,720	*3.9*	11,890	12,195	*(2.5)*	15,375	15,508	*(0.9)*
EBITDA margin (%)	15.1	15.9	***(85 bps)***	15.0	16.0	***(96 bps)***	16.4	16.9	***(55 bps)***

Source: Company, HSIE Research

SELL

CMP *(as on 08 Feb 2023)*	INR 1,236
Target Price	INR 1,040
NIFTY	17,872

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 1,030	INR 1,040
EBITDA %	FY24E -2.5	FY25E -0.9

KEY STOCK DATA	
Bloomberg code	TRENT IN
No. of Shares (mn)	355
MCap (INR bn) / ($ mn)	439/5,324
6m avg traded value (INR mn)	1,051
52 Week high / low	INR 1,571/980

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(18.0)	(6.3)	17.3
Relative (%)	(17.2)	(9.3)	12.3

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	37.01	37.01
FIs & Local MFs	8.95	9.47
FPIs	21.39	20.23
Public & Others	32.65	33.29
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Phoenix Mills

Non-retail drivers picking pace

Phoenix Mills (PHNX) reported weak revenue/EBITDA/APAT at INR 6.8/3.8/1.7bn, a miss at all levels. Retail consumption was robust during the quarter at INR 26.5bn (+28% overall and +14% on a like-to-like basis from Q3FY20), aided by growth in Jewellery, Fashion, Electronics and Entertainment categories. YTD Jan'23, consumption stands at INR 78bn and it is expected to cross INR 90bn, supported by growth in consumption across categories and malls and contribution from the upcoming mall in Ahmedabad which is expected to open by Feb'23 end. PHNX forayed into warehousing with INR 532mn of investment on a land parcel in NCR. New drivers are set to be in place with (1) Surat mall land (1msf of GLA) acquisition (PHNX holding at 53.7% stake); (2) business development target of 1-2 land deal every year with INR 10bn expected investment; (3) office development gaining traction in Bengaluru/Pune/Chennai; and (4) PHNX expanding residential segment with Alipore residential project in Kolkata (a total outlay of INR 10bn, GDV INR 20bn and 1msf of saleable area). The two upcoming office spaces in Bengaluru and Pune will begin leasing in H1FY24 and FY25 resp. Given strong traction in consumption, captive mall expansion, the addition of office space, a strong business development pipeline and lower net debt, we maintain BUY, with an unchanged SOTP of INR 1,800/sh.

- **Q3FY23 financial highlights:** Revenue: INR 6.8bn (+61%/+5% YoY/QoQ, 11% miss). EBITDA: INR 3.8bn (+67%/+1% YoY/QoQ, a 15% miss). EBITDA margin: 56.2% (+54.2%/+58.5% Q3FY22/Q2FY23, vs est. of 58.5%). RPAT/APAT: INR 1.7bn (+78%/-5% YoY/QoQ, 18% miss). Ex-Palassio and Citadel, retail rental income came in at INR 3bn (109% of Q3FY20), with EBITDA at INR 3bn (117% of Q3FY20). Income from offices was INR 424mn (+16%/-2.5% YoY/QoQ).
- **Robust consumption:** Retail consumption stood at INR 26.5bn, at 128% of Q3FY20 (pre-Covid quarter). Excl. Palassio and Citadel contribution, which opened in Jul 2020 and Dec 2022 resp., Q3FY23 consumption was 114% of Q3FY20. Consumption was supported by higher growth in Jewellery, Fashion, Electronics and Entertainment categories. YTD Jan'23, consumption stands at INR 78bn and is expected to cross INR 90bn, supported by growth in consumption across malls and the upcoming mall in Ahmedabad that is expected to open by Feb'23 end. During Jan'23, leased occupancy across malls has improved to an average of 97%, with trading occupancy at ~91%. For Citadel, Indore trading occupancy has improved from 42% in Dec'22 to 50% in Jan'23 and is expected to cross 85% by FY23-end.
- **Business development supported by healthy cash flows:** Consolidated gross/net debt stood at INR 39.5/20.8bn from INR 42.6/19.6 as of Sep'22. 91% of the debt is on the operational portfolio. The group liquidity stands at INR 18.6bn, excluding an unutilised OD of INR 13bn. The overall collection was INR 8.5bn (vs INR 7.3bn in Q2FY23) with retail/residential/hotel/commercial contributing INR 5.4/1.3/1.2/5.5bn. PHNX forayed into warehousing with INR 532mn of investment on a land parcel in NCR. It plans to remain focused on retail with only 10-15% of free cash going towards warehousing.

Consolidated financial summary (INR mn)

Particulars	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	6,838	4,250	*60.9*	6,511	*5.0*	14,835	25,564	31,887	38,355
EBITDA	3,845	2,305	*66.8*	3,809	*1.0*	7,339	15,503	19,320	22,557
APAT	1,764	989	*78.3*	1,858	*(5.1)*	2,374	6,980	8,548	10,147
EPS (INR)	10.3	5.8	*78.3*	10.9	*(5.1)*	13.9	40.8	49.9	59.3
P/E (x)						100.3	34.1	27.9	23.5
EV/EBITDA (x)						10.1	37.1	17.5	13.9
RoE (%)						3.8	10.0	11.1	11.8

Source: Company, HSIE Research

BUY

CMP *(as on 08 Feb 2023)*	**INR 1,391**
Target Price	**INR 1,800**
NIFTY	**17,872**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 1,800	INR 1,800

EPS Change %	FY23E	FY24E	FY25E
	-	-	-

KEY STOCK DATA	
Bloomberg code	PHNX IN
No. of Shares (mn)	179
MCap (INR bn) / ($ mn)	248/3,009
6m avg traded value (INR mn)	350
52 Week high / low	INR 1,624/884

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	(10.0)	6.4	47.5
Relative (%)	(9.2)	3.3	42.6

SHAREHOLDING PATTERN (%)

	Sep-22	**Dec-22**
Promoters	47.31	47.31
FIs & Local MFs	17.62	19.02
FPIs	30.60	29.27
Public & Others	4.47	4.40
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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JK Cement

Healthy grey volumes; sharp margin contraction

We maintain our REDUCE rating on JK Cement (JKCE) with a lower TP of INR 2,485 (11x Mar-25E consolidated EBITDA). We believe its margin will be subdued for the next 2-3 quarters, on account of Panna stabilisation costs and intensifying pressure in white cement. In Q3FY23, JKCE reported healthy consolidated volume growth of 21/11% YoY/QoQ, led by strong traction in grey cement, while white volumes declined. Consolidated unitary EBITDA contracted INR 230/MT QoQ on stabilisation expense in grey, competition pressure in the white segment, and an increase in fuel and freight costs. Fuel cost is expected to cool off by 8% QoQ in Q4. JKCE's 4mn MT central expansion got commissioned in Q3FY23. The company will further add 5.5mn MT of grey cement capacity spread across the north, central and south and 0.66mn MT clinker across the central region (Panna) by FY25E to strengthen its distribution reach.

- **Q3FY23 performance**: Grey cement volume reported strong growth (+27/14% YoY/QoQ) to 3.7mn MT. NSR grew ~1% QoQ on better pricing. Segmental unitary EBITDA contracted ~30/50% QoQ/YoY to INR 430/MT (our estimates) on account of higher fuel costs and Panna stabilisation costs. Segmental EBITDA thus fell ~20/40% QoQ/YoY. The white/putty business also got adversely impacted. Rising competition pulled down white/putty volume by 12/4% YoY/QoQ to 0.47mn MT. Segmental EBITDAM slumped to ~15% (down ~300-400bps both YoY/QoQ on competition).
- **Capex update and outlook**: JKCE's expansions are on track to increase clinker/cement capacity to 13.7/24.2mn MT by FY25E. It has recently acquired a 60% stake in Acro paints at INR 1.53bn and will acquire the balance stake in the next year. JKCE will incur a total Capex of ~INR 19/14bn in FY23/24E. Fuel cost is expected to cool off by 8% QoQ in Q4FY23. Factoring in weak Q3FY23 performance and poor margin outlook for the white segment, we reduce our FY23/24/25E consolidated EBITDA estimates by 16/11/10% respectively. Reduced profitability would also inflate leverage. Factoring these in, we lower our valuation multiple to 11x EV/EBITDA vs 11.5x earlier.

Consolidated quarterly/annual financial summary

YE Mar (INR bn)	Q3 FY23	Q3 FY22	*YoY (%)*	Q2 FY23	*QoQ (%)*	FY21	FY22	FY23E	FY24E	FY25E
Sales (mn MT)	4.1	3.4	*20.7*	3.7	*11.3*	12.0	14.0	16.4	18.3	20.0
NSR (INR/MT)	5,884	5,930	*(0.8)*	5,999	*(1.9)*	5,485	5,695	5,910	5,849	5,963
EBITDA(INR/MT)	590	1,067	*(44.8)*	822	*(28.2)*	1,310	1,075	823	1,003	1,072
Net Sales	24.33	20.30	*19.8*	22.28	*9.2*	66.06	79.91	97.16	106.98	119.01
EBITDA	2.44	3.66	*(33.3)*	3.05	*(20.1)*	15.78	15.08	13.54	18.34	21.39
APAT	0.39	1.43	*(72.7)*	1.12	*(65.3)*	7.49	7.13	4.46	6.21	8.72
AEPS (INR)	24.8	6.8	*267.2*	33.0	*(24.7)*	96.9	92.3	57.8	80.4	112.9
EV/EBITDA(x)						14.6	15.9	18.7	14.2	12.0
EV/MT (INR bn)						11.8	12.3	10.8	11.1	8.7
P/E (x)						28.4	29.8	47.7	34.2	24.4
RoE (%)						*22.3*	*17.8*	*10.0*	*12.6*	*15.7*

Source: Company, HSIE Research; Operating trends are on a blended basis (grey cement+ white/putty)

Consolidated Estimates revision summary

INR bn	FY23E Old	FY23E Revised	*Change %*	FY24E Old	FY24E Revised	*Change %*	FY25E Old	FY25E Revised	*Change %*
Net Sales	98.70	97.16	-1.6	109.08	106.98	-1.9	121.51	119.01	-2.1
EBITDA	16.11	13.54	-16.0	20.57	18.34	-10.9	23.63	21.39	-9.5
APAT	6.17	4.46	-27.7	7.89	6.21	-21.2	10.69	8.72	-18.4

Source: Company, HSIE Research

REDUCE

CMP *(as on 08 Feb 2023)*	INR 2,753
Target Price	INR 2,485
NIFTY	17,872

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 2,980	INR 2,485
EBITDA revision %	FY23E (16.0)	FY24E (10.9)

KEY STOCK DATA	
Bloomberg code	JKCE IN
No. of Shares (mn)	77
MCap (INR bn) / ($ mn)	213/2,577
6m avg traded value (INR mn)	383
52 Week high / low	INR 3,400/2,004

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(1.8)	6.0	(16.7)
Relative (%)	(0.9)	2.9	(21.7)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	45.84	45.83
FIs & Local MFs	21.90	21.86
FPIs	15.63	15.88
Public & Others	16.63	16.43
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Navin Fluorine International

Strong growth with a healthy margin

We retain our BUY rating on NFIL, with a target price of INR 5,174 on the back of (1) earnings visibility, given long-term contracts; (2) tilt in sales mix towards high-margin high-value business; (3) capacity expansion-led growth; and (4) strong R&D infrastructure. EBITDA/APAT were 32/26% above our estimates, owing to a 13% rise in revenue, and lower-than-expected operating expenses offset by higher-than-expected raw material costs.

- **Financial Q3 performance:** Revenue grew 34/49% QoQ/YoY to INR 5,636mn. EBITDA came in at INR 1,556mn (+66/+58% QoQ/YoY). The hydrofluoroolefins (HFO) plant at Dahej achieved close to the designed capacity. A multipurpose plant (MPP) and a dedicated plant for agrochemical intermediate started supplying commercial products during the quarter. Capacity ramp-up and change in product mix have resulted in an EBITDA margin of 27.6% (+522/+159bps QoQ/ YoY). Two molecules shall be launched in Q4FY23 from MPP and one more molecule is expected to launch by Mar-24. The launch of these molecules will ensure a ramp-up of capacity utilisation of MPP in FY24.
- **Segmental Q3 performance:** Speciality chemicals BU (33% of revenue mix) grew 22% YoY to INR 1,860mn, owing to new products from its MPP and dedicated plant. The company has successfully completed plant audits from four MNC customers, of which three are new customers. HPP BU (45% of revenue mix) grew 63% YoY to INR2,530mn, owing to revenue contribution from the new hydrofluoroolefins (Honeywell contract) plant. The company is considering the brownfield expansion of this HPP facility in CY23 in order to tap rising demand. The Contract Development and Manufacturing Organisation (CDMO) BU (22% of revenue mix) jumped up 108% YoY to INR 1,250mn in Q3. The c-GMP-3 plant capacity expansion is on track and shall be commissioned in Q3FY23. Looking at robust demand, the company is considering setting up a c-GMP4 plant.
- **Change in estimates:** We change our FY23/24 EPS estimate marginally to factor in 9MFY23 performance.
- **DCF-based valuation: Our target price is INR 5,174 (WACC 11%, terminal growth 5.5%). The stock is trading at 39.5x FY24E EPS.**

Financial summary (consolidated)

INR mn	3QFY23	2QFY23	QoQ(%)	3QFY22	YoY(%)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	5,636	4,192	34.4	3,790	48.7	11,794	14,534	19,515	27,116	34,657
EBITDA	1,556	938	65.8	986	57.8	3,093	3,548	4,979	7,985	11,305
APAT	1,066	578	84.3	688	54.9	2,216	2,606	3,340	5,281	7,693
AEPS (INR)	21.5	11.7	84.3	13.9	54.9	44.7	52.6	67.4	106.6	155.3
P/E (x)						94.2	80.1	62.5	39.5	27.1
EV/EBITDA(x)						65.5	58.6	42.8	26.9	18.8
RoE (%)						14.6	15.0	17.0	23.0	27.7

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY23E Old	FY23E New	% Ch	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch
EBITDA (INR mn)	4,879	4,989	2.0	8,164	7,985	(2.2)	11,301	11,305	0.0
Adj. EPS (INR/sh)	67.6	67.4	(0.2)	109.5	106.6	(2.6)	155.3	155.3	0.0

Source: Company, HSIE Research

BUY

CMP *(as on 08 Feb 2023)*	INR 4,185
Target Price	INR 5,174
NIFTY	17,872

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 5,140	INR 5,174
EPS %	FY23E	FY24E
	-0.2%	-2.6%

KEY STOCK DATA	
Bloomberg code	NFIL IN
No. of Shares (mn)	50
MCap (INR bn) / ($ mn)	207/2,514
6m avg traded value (INR mn)	703
52 Week high / low	INR 4,848/3,360

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(7.0)	(6.2)	3.4
Relative (%)	(6.1)	(9.3)	(1.5)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	29.40	29.40
FIs & Local MFs	22.67	23.78
FPIs	20.07	19.19
Public & Others	27.86	27.63
Pledged Shares	3.09	3.09

Source : BSE

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Relaxo Footwears

Demand pangs and RM pressure continue

Inflation-led pressure on consumer demand continued for Relaxo. Revenue declined 8.4% YoY to INR6.8bn in Q3 (a three-year CAGR: 4%; HSIE: INR7.3bn). Volume/net realisation growth stood at -9/1% respectively,- a function of (1) higher skew of closed footwear in the mix; (2) soft demand (especially in the Hawaii/PU/EVA segment). Profitability remains sub-optimal vs pre-pandemic levels, courtesy high RM inflation in key inputs and higher SG&A expenses. Price correction of 15-20% should in Q2 has begun to spur some demand. We've cut our estimates by ~5% each for FY24/25 to account for lower profitability. Our DCF-based TP stands at INR700/sh; implying 47x Dec-24E P/E. Maintain SELL.

- **Q3FY23 highlights**: Revenue declined 8.4% YoY to INR6.81bn in Q3FY23 (a three-year CAGR: 4%; HSIE: INR7.34bn). In Q3, the three-year CAGR for volume/net realisation stood at -5/+10% resp, courtesy (1) higher skew towards higher-ASP closed footwear and (2) soft demand (esp. in Hawaii/PU/EVA segment). Recovery signs in demand can be seen through a marginal uptick in volume QoQ, spurred by a 15-20% price correction taken in Q2. The full effect of this action is likely to be felt from Q4FY23 onwards. GM marginally declined (-45bps YoY) but still an estimated 350bps lower than pre-pandemic levels (incl. processing charges) at ~45%. Management highlighted that there is still high-cost inventory in the distribution system, which should get cleared by Q4FY23. EBITDAM contracted 575bps YoY to 10.6% (HSIE: 12.4%), primarily led by higher SG&A expenses. There are signs of RM price moderation, which should aid future profitability.
- **Outlook**: Relaxo remains a strong category leader; well-poised to gain market share within an immature ecosystem. However, the uncertainty around consumer demand doesn't quite backstop its lofty valuation (53x Dec-24 P/E/34x Dec-24 EV/EBITDA). While the one-year 40% price correction certainly makes the valuation more palatable, it is still not enough for us to get constructive on the stock. Our DCF-based TP stands at INR700/sh; implying 47x Dec-24E P/E. Maintain SELL.

Quarterly financial summary

(Rs mn)	3QFY23	3QFY22	YoY (%)	2QFY23	QoQ (%)	FY21	FY22E	FY23E	FY24E	FY25E
Net Revenue	6,810	7,435	(8.4)	6,697	1.7	23,592	26,533	27,975	33,440	38,595
EBITDA	723	1,216	(40.6)	594	21.6	4,559	3,638	2,957	4,888	6,005
APAT	301	701	(57.1)	224	34.4	3,049	2,327	1,663	3,099	3,892
EPS (Rs)	1	2.8	(57.1)	1	34.4	12.3	9.4	6.7	12.5	15.7
P/E (x)						64.0	83.9	117.4	63.0	50.1
EV/EBITDA (x)						42.0	53.1	64.7	38.9	31.4
Core RoCE(%)						20.6	14.1	9.3	17.9	21.6

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY23E			FY24E			FY25E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	27,975	27,975	-	33,440	33,440	-	38,595	38,595	-
Gross Profit	12,121	12,257	*(1.1)*	15,224	15,320	*(0.6)*	17,764	17,875	*(0.6)*
Gross Profit Margin (%)	43.3	43.8	***(48.8)***	45.5	45.8	***(28.8)***	46.0	46.3	***(28.8)***
EBITDA	2,957	3,209	*(7.9)*	4,888	5,010	*(2.4)*	6,005	6,087	*(1.4)*
EBITDA margin (%)	10.6	11.5	***(90.3)***	14.6	15.0	***(36.3)***	15.6	15.8	***(21.3)***
APAT	1,663	1,881	*(11.6)*	3,099	3,267	*(5.2)*	3,892	4,077	*(4.5)*
APAT margin (%)	5.9	6.7	***(78.1)***	9.3	9.8	***(50.4)***	10.1	10.6	***(47.8)***
EPS (Rs)	6.7	7.6	*(11.6)*	12.5	13.1	*(5.2)*	15.7	16.4	*(4.5)*

Source: HSIE Research

SELL

CMP *(as on 08 Feb 2023)*	**INR 785**
Target Price	**INR 700**
NIFTY	**17,872**

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 700	INR 700
EPS %	FY24E	FY25E
	-5.2	-4.5

KEY STOCK DATA	
Bloomberg code	RLXF IN
No. of Shares (mn)	249
MCap (INR bn) / ($ mn)	196/2,370
6m avg traded value (INR mn)	156
52 Week high / low	INR 1,333/774

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(16.1)	(21.6)	(39.8)
Relative (%)	(15.2)	(24.7)	(44.7)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	70.78	71.02
FIs & Local MFs	7	7.45
FPIs	3.11	2.99
Public & Others	19.11	18.54
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Computer Age Management Services

Increasing downside risks; downgrade to REDUCE

CAMS clocked a sequentially flat quarter (-3% vs. estimate); disappointment stemmed from market share loss in MF AAUM (-70bps QoQ) coupled with sustained pricing pressure (higher than most listed AMCs) on the MF business yields. Marginal moderation in employee costs, partly offset by continued tech investments, drove core income/PAT to INR0.91/0.74bn (+1/2% QoQ). Market leadership in the duopoly RTA market, significant entry barriers, and high switching cost position CAMS favourably; however, we are wary of further TER cuts that can potentially derail RTA's medium-term earnings. We trim our FY23/24E/25E estimates by 3/4/8% to factor in MF market share loss, continued outflow in the debt segment, and delayed accruals in non-MF business. Given the sustained weakness in fundamentals (market share loss, soft operating performance, and sustained pricing pressure) and a modest 9/11% revenue/OP CAGRs over FY22-25E, we downgrade our stance to REDUCE with a lower TP of INR2,120 (28x Sep-24E EV/NOPLAT + Sep-23E cash and investments; our target multiple implies a ~17-44% premium to listed AMCs).

- **Soft core drove miss:** Core revenue was 3% below estimate at INR2.44bn (+2.5/+0.5% YoY/QoQ) owing to (a) MF AAUM market share loss of 70bps to 68.3%; (b) equity yields facing further compression at 0.2bps (higher than the yield compression reported by listed AMCs); and (c) muted non-asset-based MF revenue growth (-2% QoQ) due to a dull NFO environment, offset by higher SIP transactions. Despite an 11% QoQ growth in policy count, insurance repository revenue growth was flat due to continued de-growth in the outsourcing business. Staff costs (36% of revs) moderated 3% sequentially (ESOP charges: INR55mn), primarily due to staff count rationalisation; this partly offset by higher opex drove EBITDA margin higher to 44.4% (+66bps QoQ) and APAT to INR0.74bn (-5%/+2% YoY/QoQ, -5% vs. estimate).
- **Revenue yields and growth outlook:** The management conceded that the downward pressure on yields is stemming from the repricing of AMC contracts (5-year reset). While opex (including tech investments in the non-MF business such as CRA, MF Central, and Insurance repository) is likely to be front-ended, delayed accrual of revenues from new businesses is likely to keep margins soft. While we are constructive on the IRDAI's vision to digitise insurance policies, we are wary of SEBI's proposal to cut net MF realisations, a potential pass-through of which can exert further pressure on RTA yields.

Financial Summary

(INR bn)	Q3FY23	Q3FY22	YoY(%)	Q2FY23	QoQ(%)	FY22	FY23E	FY24E	FY25E
Revenues	2.4	2.4	2.5	2.4	0.5	9.1	9.8	10.7	11.7
Operating profits	0.9	1.0	-7.6	0.9	1.3	3.7	3.8	4.4	5.0
OP margin (%)	37.2	41.3	-404bps	36.9	30bps	40.2	38.6	40.8	42.4
NOPLAT	0.7	0.7	-8.0	0.7	2.5	2.7	2.8	3.3	3.7
APAT	0.7	0.8	-4.8	0.7	2.0	2.9	3.0	3.5	4.0
EV/NOPLAT (x)						38.8	37.4	31.6	27.7
P/E (x)						38.5	36.5	31.4	27.9
ROE (%)						49.3	43.2	43.2	42.0

Source: Company, HSIE Research

Estimate change

(INR bn)	FY23E			FY24E			FY25E		
	Revised	Old	*Change % / bps*	Revised	Old	*Change % / bps*	*Revised*	*Old*	*Change % / bps*
Revenues	9.8	10.0	-2.7	10.7	11.1	-3.4	11.7	12.4	-5.3
Operating profits (OP)	3.8	3.9	-3.5	4.4	4.6	-4.9	5.0	5.5	-9.2
OP margin (%)	38.6	38.9	-31bps	40.8	41.5	-67bps	42.4	44.2	-181bps
APAT	3.0	3.1	-2.7	3.5	3.7	-4.1	4.0	4.3	-8.3
RoE (%)	43.2	46.3	-316bps	43.2	46.5	-331bps	42.0	46.7	-461bps

Source: Company, HSIE Research

REDUCE

CMP *(as on 08 Feb 2023)*	INR 2,262
Target Price	INR 2,120
NIFTY	17,872

KEY CHANGES	OLD	NEW
Rating	ADD	REDUCE
Price Target	INR 2,785	INR 2,120
EPS %	FY23E	FY24E
	-2.7%	-4.1%

KEY STOCK DATA	
Bloomberg code	CAMS IN
No. of Shares (mn)	49
MCap (INR bn) / ($ mn)	110/1,342
6m avg traded value (INR mn)	440
52 Week high / low	INR 2,833/2,037

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(7.7)	(2.9)	(16.5)
Relative (%)	(6.8)	(6.0)	(21.5)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	19.9	19.9
FIs & Local MFs	14.9	13.7
FPIs	33.2	32.7
Public & Others	32.0	33.7
Pledged Shares	Nil	Nil

Source : BSE

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Shoppers Stop

Getting back to normalcy

STOP's revenue grew at 4% (three-year CAGR) to ~INR11.3bn (up 19% YoY; HSIE: 10.75bn). While bill cuts/store are normalising, they are yet to catch up to pre-pandemic levels. Growth remains realisation-heavy (3-yr CAGR for ticket sizes stood at ~7%). Store openings remained healthy and momentum is likely to continue. GM was largely flat despite an improving mix towards private labels at 40.9% (HSIE: 41.3%). Pre-IND AS EBITDAM at 9% (in-line). We revise our FY24/45 EBITDA estimates upwards by ~11/9% each to account for (1) higher store additions; (2) a higher private label portfolio; and (3) improved sales density-led profitability. But maintain our SELL rating with a DCF-based TP of INR460/sh (implying 15x Dec-24 EV/EBITDA).

- **Q3FY23 highlights**: STOP continues to normalize operations. Revenue grew 19/4% (YoY/3-year CAGR) to INR11.3bn; HSIE: 10.75bn. Growth remains realisation-heavy (ATV grew 10% YoY/7% on a three-year CAGR basis) as consumers purchased higher value-added products. Bill cuts/store remains below pre-pandemic levels. GM marginally expanded (up 21bps YoY) to 40.9% despite an improved private label mix (HSIE: 41.3%). Despite GM expansion, EBITDAM contracted by 49bps to 18.7% (HSIE: 18.1%) as promotional spends towards EoSS, store renovation and beauty segment-related campaigns outpaced revenue growth. On a pre-IND AS basis, STOP delivered an EBITDAM of 9% (vs 10.2% in Q3FY20). STOP added 5/3 department/beauty stores (net) in Q3FY23 and is on track to add another 5/4 stores resp in Q4. APAT stood at INR620mn.
- **Outlook**: STOP's scale recovery and aggressive focus on store expansion and assortment management are certainly encouraging. However, long-term risks of business relevance/longevity remain as the company directly contends with deep-pocketed e-tailers. Hence, while we revise our FY24/25 EBITDA estimates upwards by 11/9% respectively to account for higher productivity, we maintain our SELL recommendation, with a revised DCF-based TP of INR460/sh (earlier INR420/sh), implying 15x Dec-24 EV/EBITDA.

Quarterly financial summary

(Rs mn)	3QFY23	3QFY22	YoY (%)	2QFY23	QoQ (%)	FY21	FY22E	FY23E	FY24E	FY25E
Net Revenue	11,317	9,513	19.0	10,082	12.2	17,251	24,938	39,855	43,686	48,312
Adj EBITDA	2,121	1,829	15.9	1,672	26.8	(1,896)	(1,745)	2,686	3,090	3,538
APAT	620	1,056	(41.3)	181	241.9	(2,686)	(1,469)	1,062	1,065	1,308
EPS (Rs)	5.67	9.66	(41.3)	1.66	241.9	(28.5)	(13.4)	9.7	9.7	11.9
EV/EBITDA (x)						(27.2)	(30.0)	19.6	17.2	15.0
Core RoCE(%)						(34.3)	(30.0)	12.4	12.5	13.3

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY23E			FY24E			FY25E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	39,855	38,604	*3.2*	43,686	42,249	*3.4*	48,312	46,462	*4.0*
Gross Profit	16,365	16,071	*1.8*	18,156	17,630	*3.0*	20,127	19,435	*3.6*
Gross Profit Margin (%)	41.1	41.6	***(57 bps)***	41.6	41.7	***(17 bps)***	41.7	41.8	***(17 bps)***
EBITDA	2,686	2,385	*12.6*	3,090	2,779	*11.2*	3,538	3,242	*9.1*
EBITDA margin (%)	6.7	6.2	***56 bps***	7.1	6.6	***50 bps***	7.3	7.0	***35 bps***

Source: Company, HSIE Research

SELL

CMP *(as on 08 Feb 2023)*	INR 663
Target Price	INR 460
NIFTY	17,872

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 420	INR 460
EBITDA %	FY24E	FY25E
	+11.2	+9.1

KEY STOCK DATA	
Bloomberg code	SHOP IN
No. of Shares (mn)	110
MCap (INR bn) / ($ mn)	73/881
6m avg traded value (INR mn)	100
52 Week high / low	INR 820/302

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(14.4)	9.9	87.7
Relative (%)	(13.5)	6.8	82.8

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	65.51	65.46
FIs & Local MFs	17.95	18.64
FPIs	6.71	7.04
Public & Others	9.83	8.86
Pledged Shares	6.46	6.46

Source : BSE

Pledged shares as % of total shares

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Symphony

Sustaining domestic recovery, weak RoW delivery

Symphony's domestic business (70% of consolidated revenue) delivered a beat on revenue, led by positive channel sentiment. Domestic revenue came in at INR 1,980mn, up 64% YoY and 4% on three-year CAGR. Strong secondary sales in the summer of 2022 cleared the inventory of two failed seasons. Recovery in domestic revenue was also driven by the positive sentiment of channel partners regarding the brand and the upcoming season. Domestic EBIT was up by 97% YoY, margin came at 31% (+500bps YoY). The RoW business (30% of consolidated revenue) was impacted by weak traction in CT, Australia (down >10% in 9M). Weak traction both in Australia and the US is leading to subpar performance. The RoW delivered an EBIT loss of INR 100mn (largely attributed to weak CT performance). The domestic business saw a beat but RoW performance was weak; hence, we maintain our EPS estimates. We value the stock at 35x P/E on Dec'24E EPS and derive a TP of INR 1,150. The company has proposed to buy back at INR 2,000/share for an amount up to INR 2bn (1.43% of paid-up capital). Maintain ADD.

- **Beat on revenue:** Standalone revenue clocked +53% YoY growth (18% in Q3FY22, 54% in Q2FY23). Domestic revenue, at INR 1,980mn, grew by 64% YoY and 4% on a three-year CAGR. <u>The strong domestic performance was led by positive and buoyant trade sentiments (soft inventory post the last year's season).</u> During 9MFY23, domestic revenue was up by 68% YoY to INR 5,760mn. Exports were flat YoY to INR 250mn (INR 700mn in 9M). The RoW was down by 6% YoY and -10% on a three-year CAGR. We believe a strong domestic trajectory will sustain if there is no outbreak in the upcoming summer. The RoW is expected to sustain similar weakness in the near term.
- **Strong domestic profitability, loss in RoW:** Standalone GM improved by 146bps YoY but down by 122bps QoQ to 45% (historical average GM was ~50%). Employee/ASP/other expenses were up by 12/100/64% YoY. Standalone EBITDA margin was at 25%, up 319/370bps YoY/QoQ. Domestic EBIT was up by 97/91% YoY in Q3/9MFY23. RoW EBIT loss was INR 100mn in Q3 and INR 5mn in 9MFY23. Domestic EBIT (90% of consolidated EBIT) will continue to drive overall profitability.
- **Con call takeaways:** (1) The company is seeing strong demand in India from channel partners and expects it to sustain itself in the near term. (2) Various new products have been launched, including a high-tech BLDC air cooler. (3) Standalone GM and EBITDA margin will improve; the historical EBITDA margin of 30% is also achievable in the medium term. (4) Despite current weak consumer sentiment, air cooler demand can be robust in the upcoming summer (less sensitive to economic factors than seasonal ones). (5) Weakness in CT, Australia is expected to continue in the near term. (6) In 9MFY23, CT reported revenue/PAT of INR 1,730mn, with a loss of INR 170mn; IMPCO registered INR 800mn revenue with PAT of INR 10mn. GSK China was at INR 270mn with a loss of INR 20mn. (7) Dividend payout policy has changed to 'at least 60%' vs. the earlier policy of 50%.

Quarterly/annual financial summary

YE Mar (Rs mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	2,230	1,460	52.7	2,150	3.7	10,390	12,789	13,500	14,700
EBITDA	560	320	75.0	460	21.7	1,610	2,310	2,590	2,887
APAT	520	290	79.3	450	15.6	1,210	1,891	2,199	2,496
Diluted EPS (Rs)	7.4	4.1	79.3	6.4	15.6	17.3	27.0	31.4	35.7
P/E (x)						60.6	38.8	33.3	29.4
EV / EBITDA (x)						43.5	29.8	26.0	22.8
RoCE (%)						20.3	31.0	36.6	41.8

Source: Company, HSIE Research * Quarter numbers are standalone

ADD

CMP *(as on 08 Feb 2023)*	INR 1,050
Target Price	INR 1,150
NIFTY	17,872

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1,150	INR 1,150
EPS %	FY23E	FY24E
	0%	0%

KEY STOCK DATA	
Bloomberg code	SYML IN
No. of Shares (mn)	70
MCap (INR bn) / ($ mn)	73/888
6m avg traded value (INR mn)	35
52 Week high / low	INR 1,215/821

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	24.4	15.2	5.0
Relative (%)	25.2	12.2	0.1

SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	73.25	73.25
FIs & Local MFs	11.14	11.22
FPIs	4.03	4.01
Public & Others	11.58	11.52
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Sobha

Launch momentum to drive growth

Sobha's (SDL) reported revenue/EBITDA/PAT of INR 8.7/0.9/0.3bn (miss)/beat our estimates by 16/(26)/(25)%. It recorded the highest-ever quarterly presales, both in value and volume terms, of 1.48msf, valued at INR 14.2bn (+36%/+22% YoY/QoQ). The realisation inched up on account of a higher contribution from the Gurgaon project. For 9MFY23, presales stood at INR 37.3bn (+35% YoY) and are expected to cross INR 50bn by FY23-end on the back of 11msf of unsold inventory and a robust launch pipeline of 12msf, of which, 1msf will be launched in Q4FY23. The non-Bengaluru region contributed 40% to total sales (vs. 22.4% in Q2FY23). Presales from NCR were strong, contributing 24% to total sales (5% in Q2FY23). Collections were also the highest-ever at INR 14.1bn (+40%/+5% YoY/QoQ) on the back of robust residential cash collection of INR 11.6bn (+38%/+7% YoY/QoQ). This resulted in the consolidated gross/net debt reducing to INR 20/18bn vs. INR 22/19bn as of Dec'22, with net D/E at 0.72x vs. 0.77x as of Dec'22. EBITDA margin was affected by the higher-than-expected cost in the contractual business; SDL expects to see normalisation in EBITDA margin after Q4FY23. We maintain BUY with an unchanged TP of INR 935.

- **Q3FY23 financial highlights:** Sobha reported a revenue of INR 8.7bn (+40%/+30% YoY/QoQ, a 16% beat) with real estate (RE) contributing 74% to total revenue. Under the completed contract method, SDL has INR 95bn in revenue to be recognised from sales made until Dec'22. EBITDA came in at INR 888mn (-41%/-6% YoY/QoQ, a 26% miss). EBITDA margin came in at 10.2% (-1392/-392bps YoY/QoQ, vs. estimate of 16.1%) on account of higher construction expense in contractual business for its older projects. RPAT/APAT was INR 318mn (-48%/+66% YoY/QoQ, 25% miss).
- **Highest-ever presales; non-Bengaluru sales strong:** SDL reported its highest-ever quarterly presales in value and volume terms of 1.48msf, valued at INR 14.2bn (+36%/+22% YoY/QoQ), with Sobha's share at INR 11.1bn (the highest-ever since its inception). However, Sobha's share of gross sales was lower at 78% on account of lower profit sharing in one of the high-selling Gurugram projects. For 9MFY23, presales stood at INR 37.3bn (+35% YoY). The non-Bengaluru region contributed 40% to total sales (vs. 22.4% in Q2FY23). Presales from NCR were strong, contributing 24% to total sales (5% in Q2FY23). Contribution from Kochi/GIFT City/Chennai/Pune was at 8.8/4.1/2.3/0.6% respectively. The average realisation increased to INR 9,650/sq. ft. (+22%/+11%, YoY/QoQ). SDL has a residential launch pipeline of 12.9msf, with 7.2msf and 2.3msf earmarked for Bengaluru and Gurugram.
- **Balance sheet strong; collections at an all-time high:** SDL achieved the highest-ever collections at INR 14.1bn (+40%/+5% YoY/QoQ) on the back of robust residential cash collection of INR 11.6bn (+38%/+7% YoY/QoQ). This resulted in the consolidated gross/net debt reducing to INR 20/18bn vs. INR 22/19bn as of Dec'22, with net D/E at 0.72x vs. 0.77x as of Dec'22. Also, the construction outflow was the highest ever for any quarter at INR 5bn (+61%/+11% YoY/QoQ).

Consolidated financial summary (INR mn)

Particulars	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	8,682	6,223	*39.5*	6,700	*29.6*	27,309	29,544	33,143	38,400
EBITDA	888	1,503	*(40.9)*	948	*(6.3)*	4,294	4,387	6,562	7,699
APAT	318	610	*(47.9)*	192	*65.6*	1,169	922	2,322	3,617
Diluted EPS	3.4	6.4	*(47.9)*	2.0	*65.6*	12.3	9.7	24.5	38.1
P/E (x)						52.9	67.0	26.6	17.1
EV/EBITDA (x)						19.7	19.3	12.6	10.6
RoE (%)						4.7	3.6	8.6	12.2

Source: Company, HSIE Research

BUY

CMP (*as on 08 Feb 2023*)	INR 578
Target Price	INR 935
NIFTY	17,872

KEY CHANGES		OLD	NEW
Rating		BUY	BUY
Price Target		INR 935	INR 935
EPS Change %	FY23E	FY24E	FY25E
	-	-	-

KEY STOCK DATA	
Bloomberg code	SOBHA IN
No. of Shares (mn)	95
MCap (INR bn) / ($ mn)	55/664
6m avg traded value (INR mn)	139
52 Week high / low	INR 901/480

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(8.4)	(14.9)	(34.5)
Relative (%)	(7.6)	(17.9)	(39.4)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	51.99	51.99
FIs & Local MFs	13.74	13.78
FPIs	15.55	15.06
Public & Others	18.72	19.17
Pledged Shares	10.54	10.54

Source: BSE

Pledged shares as % of total shares

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V-MART Retail

Operational miss sharper than expected

V-MART reported 12% growth YoY (2% lower than expected). Organic business (ex-Unlimited acquisition) grew 8% YoY in Q3FY23 (INR6.2bn; 3-year CAGR: 8%; HSIE: INR 6.8bn). Note: Unit economics remains inferior to pre-pandemic times. (footfall density is at 62%), while transaction sizes were up 118% from pre-pandemic levels (up 7% YoY). The profitability miss was starker (13.3% vs HSIE: 18%) and was a function of elevated online spends, which include (1) a one-time integration cost for Limeroad and (2) related manpower increases. We've cut FY24/25 EBITDA estimates by 13/7% respectively to account for continued investments towards Limeroad. Consequently, our TP is revised downwards to INR2,900/sh (earlier: INR3,150/sh; implying 25x Dec-24 EV/EBITDA). Maintain BUY.

- **Q3FY23 highlights**: V-MART reported 12.3% growth YoY to INR 7.77bn (HSIE: INR 7.91 bn. While organic business (ex-Unlimited acquisition) is up 8% YoY; it did disappoint on unit economics as footfalls remain sub-optimal vs pre-pandemic levels. Effective footfalls/store remain significantly lower (62% of Q3FY20 levels). Transaction size, at INR1,044, grew 7% YoY (118% of Q3FY20). V-MART did take some price corrections to arrest dwindling footfalls. This, coupled with a delayed winter sale, led to a GM contraction of 159bps (35.4%; in-line). EBITDAM miss was sharper (13.3% vs HSIE: 18%) than expected due to elevated spending towards online operations (INR360mn). This includes a one-time INR120mn Limeroad integration spend and related employee costs. Adj. EBITDAM (ex-integration/online costs) were in-line at 18%. V-MART added 9 stores (net) in Q3. PAT stood at INR200mn.

- **Outlook**: While V-MART remains among the stronger value fashion retailers within the ecosystem; its profitability is likely to remain under pressure in the near to medium term, courtesy the recent acquisition Limeroad. We've cut our FY24/25 EBITDA estimates by 13/7% respectively to account for this. But we maintain our BUY rating with a DCF-based TP of INR2,900/sh (implying 25x Dec-24 EV/EBITDA).

Quarterly financial summary

(INR mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY21	FY22	FY23E	FY24E	FY25E
Net Revenue	7,769	6,920	12.3	5,062	53.5	10,755	16,662	23,883	29,743	34,804
Adj EBITDA	1,037	1,353	(23.4)	536	93.5	368	792	1,111	1,790	2,321
APAT	200	571	(65.0)	(113)	(276.5)	224	501	436	857	1,189
EPS (Rs)	10.1	28.9	(65.1)	(5.7)	(276.5)	11.4	25.4	22.1	43.5	60.4
P/E (x)						246.7	110.3	126.7	64.5	46.5
EV/EBITDA (x)						140.8	67.8	48.0	29.8	22.8
Core RoCE(%)						0.1	6.0	4.6	10.0	13.1

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY23E			FY24E			FY25E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	23,883	23,883	-	29,743	29,743	-	34,804	34,804	-
Gross Profit	8,530	8,362	*2.0*	10,370	10,325	*0.4*	12,030	11,978	*0.4*
Gross Profit Margin (%)	35.7	35.0	*70 bps*	34.9	34.7	*15 bps*	34.6	34.4	*15 bps*
EBITDA	1,111	1,412	*(21.3)*	1,790	2,061	*(13.2)*	2,321	2,504	*(7.3)*
EBITDA margin (%)	4.7	5.9	*(126 bps)*	6.0	6.9	*(91 bps)*	6.7	7.2	*(53 bps)*

Source: Company, HSIE Research, Pre IND AS 116 financials

BUY

CMP *(as on 08 Feb 2023)*	**INR 2,576**
Target Price	**INR 2,900**
NIFTY	**17,872**

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 3,150	INR 2,900
	FY24E	FY25E
EBITDA %	-13.2	-7.3

KEY STOCK DATA	
Bloomberg code	VMART IN
No. of Shares (mn)	20
MCap (INR bn) / ($ mn)	51/617
6m avg traded value (INR mn)	177
52 Week high / low	INR 4,036/2,406

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(12.3)	(12.6)	(29.7)
Relative (%)	(11.5)	(15.7)	(34.6)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	46.1	45.8
FIs & Local MFs	27.7	28.8
FPIs	11.5	11.2
Public & Others	14.7	14.2
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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J. Kumar Infraprojects

In-line performance

JKIL reported an in-line quarter, with revenue/EBITDA/APAT at 10.6/1.5/0.7bn, marginally beating our estimates by 1.9/2/2.6%. JKIL FY23 revenue guidance now stands at the higher end of the INR 40-42bn range to INR 42bn, with an EBITDA margin of 14-15%. The order inflow (OI) of INR 16.9bn in 9MFY23 took the order book (OB) to INR 112bn (~3.2x FY22 revenue). JKIL reiterated its OI guidance for FY23 at INR 50bn, of which 33.8% of orders were achieved in 9MFY23. The balance sheet continues to be robust, with gross debt at INR 4.8bn (D/E at 0.20x). With INR 1.1bn of Capex incurred in 9MFY23, JKIL increased FY23 Capex guidance to INR 1.5bn (+INR 0.5bn). The quarter's outperformance on execution, order inflow and balance sheet is largely in line with our annual estimates; we continue with our valuation multiple at 9x. We maintain ADD, with an increased target price of INR 387/sh (9x Dec-24E EPS, rolled over).

- **Quarterly performance:** Revenue: INR 10.6bn (+10/+4.9% YoY/QoQ, a beat of 1.9%), with metro, flyover/bridges/roads/tunnels, civil and water contribution at 51/42/5/2%. EBITDA: INR 1.5bn (+9.4/4.1% YoY/QoQ, a beat of 2%), resulted in an EBITDA margin of 14.3% (-8/-11 bps YoY/QoQ, in line with our estimate of 14.3%). RPAT/APAT: INR 711mn (+21.1/+5.2% YoY/QoQ, a beat of 2.6%). With all the contracts protected by price escalation clauses, JKIL is confident of achieving an EBITDA margin of 14-15% for FY23.
- **Robust OB; strong order prospect pipeline:** JKIL received orders worth INR 16.9bn in 9MFY23, taking the OB (excluding GST) as of Dec'22 to INR 112bn (~3.2x FY22 revenue). Geographically, the OB has maximum exposure in Maharashtra (68%), followed by Delhi/Gujarat/UP contributing 25/6/1%. Business segment-wise underground metro/elevated metro/flyovers/roads and tunnels/water/civil contributed 26/26/20/14/10/4%. At the client level, MMRDA/DMRC/NHAI/others contributed 32/16/13/39% to the OB. JKIL reiterated its OI guidance for FY23 at INR 50bn, of which 33.8% of orders were achieved in 9MFY23. The bid pipeline is INR 450bn for the next 12 months.
- **Comfortable debt level:** Gross debt increased to INR 4.8bn as of Dec'22, vs. INR 4.5bn as of Sep'22, leading to a D/E of 0.20x (vs. 0.20x as of Sep'22). With INR 1.1bn of Capex incurred in 9MFY23, JKIL increased its FY23 Capex guidance from INR1bn to INR1.5bn.

Standalone financial summary (INR mn)

YE March	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	10,624	9,657	*10.0*	10,128	*4.9*	35,272	42,669	47,789	52,568
EBITDA	1,516	1,386	*9.4*	1,457	*4.1*	5,046	6,078	6,688	7,247
APAT	711	587	*21.1*	675	*5.2*	2,059	2,856	3,058	3,323
Diluted EPS (INR)	9.4	7.8	*21.1*	8.9	5.2	27.2	37.7	40.4	43.9
P/E (x)						10.0	7.2	6.8	6.2
EV / EBITDA (x)						4.7	3.7	3.3	2.7
RoE (%)						10.4	12.9	12.2	11.9

Source: Company, HSIE Research

Estimate change summary standalone (INR mn)

Particulars	FY23E			FY24E			FY25E		
	New	Old	Chg.(%)	New	Old	Chg.(%)	New	Old	Chg.(%)
Revenues	42,669	40,433	5.5	47,789	46,498	2.8	52,568	51,148	2.8
EBITDA	6,078	5,743	5.8	6,688	6,528	2.5	7,247	7,071	2.5
EBITDA (%)	14.2	14.2	0.3	14.0	14.0	(0.3)	13.8	13.8	(0.3)
APAT	2,856	2,501	14.2	3,058	2,983	2.5	3,323	3,246	2.4

Source: Company, HSIE Research

ADD

CMP (*as on 08 Feb 2023*)	INR 273
Target Price	INR 387
NIFTY	17,872

KEY CHANGES		OLD	NEW
Rating		ADD	ADD
Price Target		INR 370	INR 387
EPS Change %	FY23E	FY24E	FY25E
	+14.2	*+2.5*	*+2.4*

KEY STOCK DATA	
Bloomberg code	JKIL IN
No. of Shares (mn)	76
MCap (INR bn) / ($ mn)	21/250
6m avg traded value (INR mn)	65
52 Week high / low	INR 352/152

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(0.2)	(10.9)	50.6
Relative (%)	0.7	(14.0)	45.6

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	46.65	46.65
FIs & Local MFs	13.04	13.03
FPIs	8.80	9.85
Public & Others	31.51	30.47
Pledged Shares	10.57	10.57

Source: BSE

Pledged shares as % of total shares

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AGS Transact

New deal wins provide growth visibility

AGS Transact (AGS) reported a lower-than-expected revenue across segments; however, new deal wins improve growth visibility for FY24E. Revenue growth remained flattish QoQ, with an increase in digital services being offset by decline in ATM management, banking automation solutions (BAS) and other automation services. The company had announced two new managed services deal wins for managing 8K ATMs (~30% of current base), revenues from which will flow over the next 12 months with no additional capex. The company expects to maintain a margin of >25%, led by focus on higher-margin fixed-price contracts. We expect a recovery in the payment solution business, led by (1) new deal wins; (2) implementation of CRM machines; (3) growth in cash management due to compliance-related tailwinds; and (4) traction in digital payment business led by digital adoption by OMCs. We cut revenue estimates by ~6.8/7.4% and EPS estimates by -7.8/6.9% for FY24/25E to factor in revenue miss. We maintain BUY on AGS with a target price of INR 105, valuing the stock at 12x Sep-24 EPS.

- **Q3FY23 highlights**: AGS reported revenue of INR 4.15bn, lower than our estimate of INR 4.36bn. Revenue from ATM management/digital/BAS/OAS stood at INR 2.57/0.79/0.44/0.35bn, -0.8%/+17.5%/-3.7%/-15.4% QoQ. The number of ATM/CRM under management stood at ~27/~5K, -2.2/+7.8% QoQ. AGS has added ~1K CRMs in 9M and expects healthy additions, going forward. Managed services (MS) and fixed-fee ATMs both stood at 57%. The focus is to drive MS and fixed-fee ATMs. The POS installations increased marginally QoQ to 246K (OMC POS: ~52K). Total GTV/POS/month rose 13% QoQ to INR 87.3K. Net debt stood at INR 7bn and the company expects it to remain at current levels.
- **Outlook:** We expect revenue growth of +9.0/+5.1% in FY24/25E and an EBITDA margin of 26.9/27.1% respectively, leading to a revenue CAGR of 7% and an EPS CAGR of 17% over FY23-25E.

Quarterly Financial summary

YE March (INR mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY21	FY22	FY23E	FY24E	FY25E
Net Revenues	4,154	4,848	*(14.3)*	4,136	*0.4*	17,589	17,719	17,007	18,540	19,490
EBITDA	1,008	1,194	*(15.5)*	1,088	*(7.3)*	4,386	4,109	4,473	4,989	5,286
APAT	124	-94	*NM*	207	*(39.8)*	548	-825	815	991	1,112
Diluted EPS (INR)	1.0	-0.8	*NM*	1.7	*(39.8)*	4.5	-6.8	6.8	8.2	9.2
P/E (x)						13.2	-8.8	8.9	7.3	6.5
EV/EBITDA (x)						2.9	3.3	2.8	2.3	1.9
ROE (%)						9.8	-17.1	14.5	15.0	14.4

Source: Company, HSIE Research

Change in estimates

YE March (INR mn)	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Revenue	17,887	17,007	*(4.9)*	19,902	18,540	*(6.8)*	21,042	19,490	*(7.4)*
EBITDA	4,718	4,473	*(5.2)*	5,295	4,989	*(5.8)*	5,640	5,286	*(6.3)*
EBITDA margin (%)	26.4	26.3	-7bps	26.6	26.9	31bps	26.8	27.1	32bps
APAT	913	815	*(10.7)*	1,075	991	*(7.8)*	1,195	1,112	*(6.9)*
EPS (INR)	7.6	6.8	*(10.7)*	8.9	8.2	*(7.8)*	9.9	9.2	*(6.9)*

Source: Company, HSIE Research

BUY

CMP *(as on 08 Feb 2023)*	**INR 60**
Target Price	**INR 105**
NIFTY	**17,872**

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 113	INR 105
EPS %	FY24E	FY25E
	-7.8	-6.9

KEY STOCK DATA	
Bloomberg code	AGSTRA IN
No. of Shares (mn)	121
MCap (INR bn) / ($ mn)	7/88
6m avg traded value (INR mn)	28
52 Week high / low	INR 161/55

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(24.9)	(34.0)	(60.9)
Relative (%)	(24.1)	(37.1)	(65.8)

SHAREHOLDING PATTERN (%)	Sep-22	Dec-22
Promoters	66.19	66.12
FIs & Local MFs	7.38	6.29
FPIs	4.62	3.18
Public & Others	21.81	24.11
Pledged Shares	8.28	10.69

Source : NSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

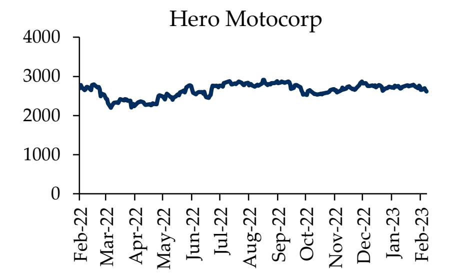
REDUCE: -10% to +5% return potential

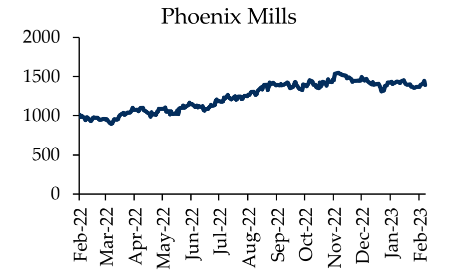
SELL: > 10% Downside return potential

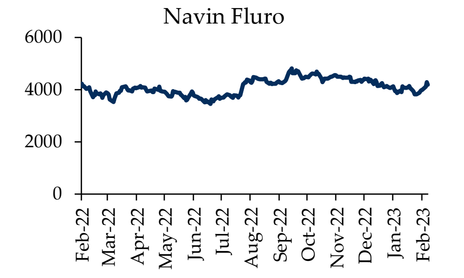
Disclosure:

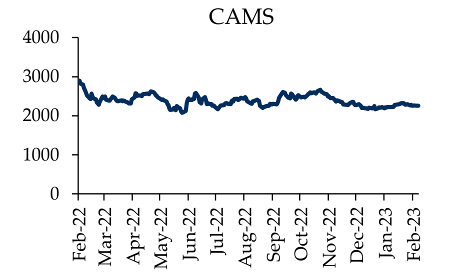
Analyst	Company Covered	Qualification	Any holding in the stock
Rajesh Ravi	Shree Cement, Ambuja Cement, JK Cement	MBA	NO
Keshav Lahoti	Shree Cement, Ambuja Cement, JK Cement	CA	NO
Aniket Mhatre	Hero Motocorp	MBA	NO
Sonaal Sharma	Hero Motocorp	MBA	NO
Jay Gandhi	Trent, Relaxo Footwears, Shoppers Stop, V-MART Retail	MBA	NO
Parikshit Kandpal	Phoenix Mills, Sobha, J. Kumar Infraprojects	CFA	NO
Manoj Rawat	Phoenix Mills, Sobha, J. Kumar Infraprojects	MBA	NO
Nikhil Kanodia	Phoenix Mills, Sobha	MBA	NO
Nilesh Ghuge	Navin Fluorine International	MMS	NO
Harshad Katkar	Navin Fluorine International	MBA	NO
Akshay Mane	Navin Fluorine International	PGDM	NO
Krishnan ASV	Computer Age Management Services	PGDM	NO
Naveen Triveid	Symphony	MBA	NO
Riddhi Shah	Symphony	MBA	NO
Amit Chandra	AGS Transact	MBA	NO
Vivek Sethia	AGS Transact	CA	NO

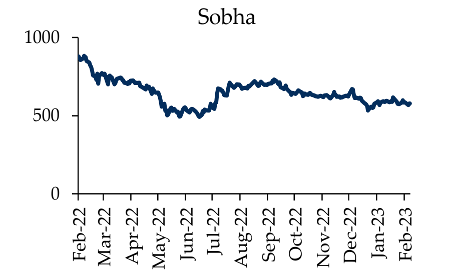
1 Yr Price Movement

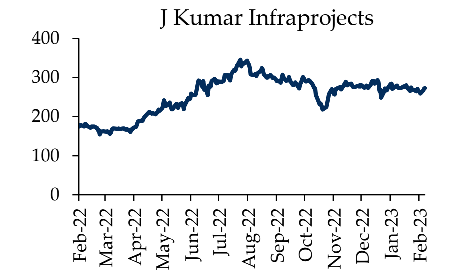


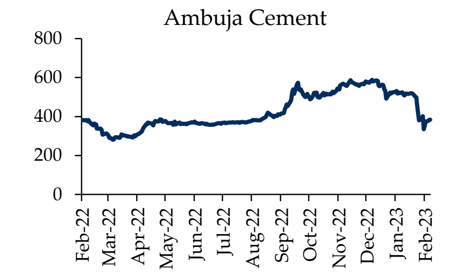


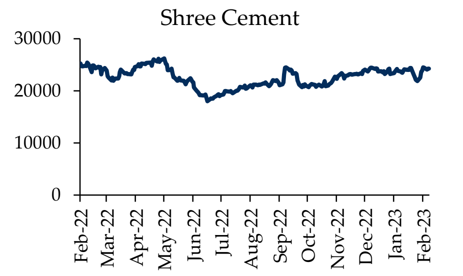


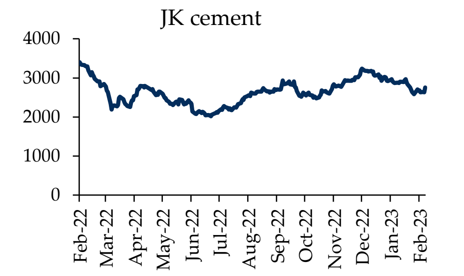


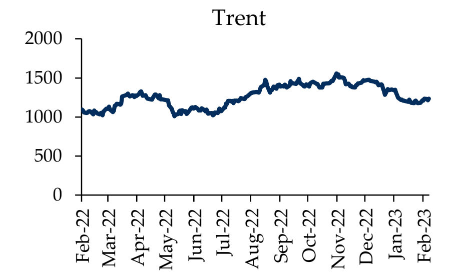


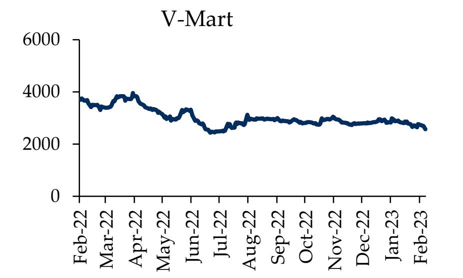












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